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Alliance Motives among Manufacturing SMES: Evidence from an Emerging Economy

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Abstract

This study was designed to investigate the effect of environmental-based motives on firm performance. The study targeted manufacturing Small and Medium Enterprises based in Kenya whose performance has been negatively affected by high industry competition, low technology uptake, and industry regulation. The study was geared towards establishing the environmental-based motives pushing and pulling manufacturing Small and Medium Enterprises toward strategic alliance formation. To this end, the study was set to investigate whether compliance with government regulation, the need to grow market share, and the need to increase customer base motivates manufacturing Small and Medium Enterprises in Kenya to form strategic alliances. The target population for the study consisted of 74 SMEs and the study adopted descriptive and explanatory research designs and collected data from company CEOs or senior managers. Descriptive and inferential statistics were used to analyze the survey data. The study findings indicated that environmental-based motives have a positive and significant effect on the performance of manufacturing Small and Medium Enterprises in Kenya (Adj $R^2 = 0.484$). Based on these findings, the study concluded that environmental-based motives of compliance with the government regulation, market share, and customer base motivate manufacturing Small and Medium Enterprises to form strategic alliances and that these motives have a positive and significant

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effect on firm performance. The study contributed to the general body of knowledge by bridging the contextual and empirical gaps identified after the literature review. The study recommends that top management teams in the manufacturing industry should map environmental-based motives and align such motives to specific aspects of their value chain activities.

Keywords: Strategic Alliances, Firm Performance, Manufacturing Sector, Small and Medium Enterprises, Emerging Economy

Introduction

As strategic alliances have increased in the last decade, researchers have sought to establish how such strategies contribute to firm performance. This study defines a strategic alliance as a cooperative agreement formed by two or more firms to achieve a strategic objective (Hitt, 2000). The concept of strategic alliance involves the formation of a functional partnership by one or more firms geared towards the achievement of specific objectives, and the perspective of resource exchange is a central theme in alliances (Gulati, 1998; Yasud, 2005; Remigijus & Giedrius, 2013). An extensive literature exists on strategic alliance, which documents the benefits that firms accrue from such strategic moves (Park & Kang, 2013; Yang, Zheng & Zhao, 2014; Ferreira & France, 2017; Talebi, Farsi & Miriasl, 2017) and the risks associated with strategic alliances (Rambo, 2012). One specific stream of research that has been of interest to scholars is the strategic alliance formation motives. Small and Medium enterprises research, for instance, has highlighted alliance formation motives to include resource acquisition (Jeje, 2014; Gundolf, Jaouen & Gast, 2018; Yang, Lai, Wang, Rauniar & Xie, 2015), performance improvement, increasing survival rates, and enhancing competitive advantage (Flatten, Greven & Brettel, 2011; Gronum, Verreynne & Kastelle, 2012; Zhao, 2014; Haase & Franco, 2015). Despite the significant attention accorded to this stream of research, few studies have focused on alliance formation motives from an emerging economy perspective with most studies occurring in developed nations.

This study perceives that the environmental dynamics present in an emerging economy plays a critical role in influencing the motives for alliance formation, especially for SMEs operating in these economies. Guo and Cao (2014) point out that emerging economies present peculiar challenges to firms and therefore, this context is relevant for advancing existing theory on organizational strategy. While some studies have focused on the effect of environmental forces on alliance formation (Dickson & Weaver, 2011), these aspects of alliance formation present a unique challenge due to the existing dynamics of each external environment which restricts the generalization of findings (Moeller, 2010).

Although the literature on the effect of alliance formation motives on firm performance is scarce, existing studies have presented contradicting findings. For example, Mukherjee, Gaur, Guar, and Schmid (2013) investigated the effect of environmental uncertainty and alliance formation and found out that environmental uncertainty does not influence strategic alliance formation among SMEs. More so, environmental uncertainty may encourage sole operation modes which present more flexibility. On the other hand, Dickson and Weaver (2011) established that SMEs from several countries are motivated to form strategic alliances by the existing institutional environment and factors such as laws, regulations, and policies which positively influence the creation of strategic alliances among SMEs.

The effect of strategic alliance motives on firm performance has raised debate since the contribution of a strategic alliance among SMEs is not fully understood from a performance perspective (Gronum et al., 2012). The objective of this study is twofold. The first is to investigate the effect of strategic alliance formation motives from an environmental perspective and to identify the motives that push and pull manufacturing SMEs in Kenya to form strategic alliances. The second is to establish the effect of such formation motives on SME performance.

This study explores the concept of environmental-based motives in order to identify the motives that pull and push manufacturing SMEs to form strategic alliances. The study also analyzes how such environmental-based motives affect manufacturing SMEs' performance. Therefore, this study is expected to advance the understanding of strategic alliance formation motives from the context of an emerging economy, particularly in Kenya.

This paper is subdivided into four sections. First, a review of existing literature on strategic alliance motives is undertaken. The second part presents the research methodology, and the third section outlines the data analysis which presents the views of top managers in manufacturing SMEs in Kenya. A discussion of the environmental-based motives and their effect on SME performance is presented in section four while section five presents the study's conclusion, implications of the study findings, and future research.

Strategic Alliance Motives

One of the streams of research in strategic alliances that has gained popularity is the motives that lead to strategic alliance formation. Firms' motivation to enter or form a strategic alliance is based on diverse reasons, factors, and conditions that drive firms to pursue strategic alliances (Lin & Darnall, 2015). Different scholars have identified factors that motivate SMEs to enter into strategic alliances. For example, Oliver (1990) linked alliance formation to organizational and environmental factors which are based on different contingencies as the basis for alliance formation. According to this

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classification, organizational factors constitute efficiency and stability, while environmental factors include necessity, asymmetry, reciprocity, and legitimacy. In addition, market growth, competitive position in the industry, and other general environmental factors contributes to uncertainty such as regulation.

Kinderis and Jucevicius (2013) undertook an analysis of the common categorization of alliance formation motives and determined that the most common categorization is based on strategic motives which portray strategic intentions for firms, necessity and compliance, and opportunity exploitation. Eisenhardt and Schoonhoven (1996) categorize alliance formation motives into strategic and social motives which are based on the resource-based view of the firm. The authors articulate that strategic alliances are created to meet the strategic resource needs and social resource opportunities. Gils and Zwart (2009) categorize strategic alliance formation motives into organizational, industry/environmental, and partner-related. A summary of the strategic alliance motives as proposed by different authors is presented below.

Motives for Alliance Formation	**Author**
Strategic and Social motives	Eisenhardt and Schoonhoven (1996)
Organizational and environmental factors	Oliver (1990)
Strategic intentions	Kinderis and Jucevicius (2013)
Organizational, Industry/environmental, and partner related	Gils and Zwart (2009)

(Source: Author 2022)

An analysis of the strategic alliance formation motives indicates that organizational and environmental motives are common attributes. However, for the purpose of this research, the classification by Gils and Zwart (2009) is considered more complete and is adopted by this study. In addition, the classification of industry/environmental-based motives is selected for investigation by this study. According to Gils and Zwart, relevant indicators for environmental-based motives include market growth, competitive position in the industry, and other general environmental factors contributing to uncertainty like regulation. This study pursued the same direction of measuring environmental-based motives using the indicators of regulation, market share, and business growth due to their applicability to the Kenyan context.

Literature Review

This section presents the theoretical and empirical review of relevant literature as guided by the study's variables. The theoretical review is presented first followed by the empirical review.

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Theoretical Review

The study is anchored on the Resource-Based View (RBV) of the firm, which has been used extensively in studies of strategic alliances to demonstrate how firms gain competitive advantage and improve their performance by accessing resources held by other firms (Barney, 2001; Lavie, 2006). The resource argument can be a source of difference in organizational performance based on core competencies and capabilities gained from resource reconfiguration (Mahoney & Kor, 2003). Empirical studies on strategic alliances have demonstrated that organizations can access external resources held by their partners (Klein & Pereira, 2016; Wagner & Zidorn, 2017; Ferreir & Franco, 2017). As a result, strategic benefits have been attached to such relationship-based alliances that provide a pathway to access resources, leading to improved performance and competitive advantage (Panda, 2014; Gronum, Verreynne & Kastelle, 2012; Muange & Maru, 2015).

The propositions of the RBV fail to demonstrate the resource exchange within a strategic alliance configuration, which is not automatic. Therefore, this study relied on the resource dependence theory to demonstrate resource exchange in strategic alliances. The RDT offers that the pursuit to accumulate resources through inter-organizational cooperation creates dependencies between a firm and its external environment, which consist of suppliers, customers, competitors, and industry regulators to achieve strategic goals (Pfeffer & Salancik, 1978). Therefore, it is assumed that depending on the resources held by other firms, SMEs can acquire new resources, competencies, and capabilities to improve operational activities, manage uncertainty, and adapt to the organizational environment by initiating strategic alliances with other firms (Parmigiani & Rivera-Santos, 2011).

However, the contribution of such resources, competencies, and capabilities to firm performance is best explained by the dynamic capabilities theory which contributes to superior performance when organizations align their internal resources with the opportunities identified from the external environment and systematically reconfigure their resources to improve organizational structures, systems, and processes (Wilden, Gudergan, Nielsen & Lings, 2013). Kyengo, Muathe, and Kinyua (2019) affirm that improving resource bundles can translate to dynamic capabilities that can enhance the implementation of operational activities and improve performance. The complementary nature of the theoretical underpinning adopted by this study seeks to fully explain the relationship that exists between strategic alliance motives and firm performance.

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Empirical Review

Regulatory Compliance Motives and Firm Performance

The external business environment has been a critical factor that influences organizational behaviour and also forms a key motivator to alliance formation. Skokic (2015) assessed the effect of the social-economic environment on strategic alliance formation targeting SMEs in the hotel industry. The study found that high administrative barriers and lack of resources motivated alliance formation among small firms. However, the study concluded that the institutional environment is critical in influencing alliance formation.

The effect of factors like weak institutions and increased regulation intensifies the pressure faced by SMEs to improve their performance in the Kenyan business environment. The study anticipates that manufacturing SMEs will be motivated to form strategic alliances to improve their regulatory compliance and maintain their competitiveness. A survey by Dickson and Weaver (2011) established that the business environment plays a critical role in influencing the alliance formation motives held by firms. The study affirmed that SMEs are motivated to form strategic alliances to comply with existing regulations and policies.

Blind and Mangelsdorf (2016) also point out that strategic alliances, especially industry associations and professional bodies, have been formed to influence regulation and policy issues. The same authors offer that strategic alliances among firms can improve conformity to regulation as technical requirements can be clearly defined and explained through alliances, whereas barriers caused by regulations and policies can be reduced through industry associations. This study observes that the need to conform to existing regulations will motivate manufacturing SMEs to join strategic alliances with other firms.

A study by Lu and Steinhardt (2022) on alliance building among non-governmental organizations in China reported that the regulations and policies existing in a country push firms to form strategic alliances especially when firms lack resources. The study identified strategic alliances as a platform for resource sharing, knowledge sharing, coordination of activities, and building the capacity of less powerful firms. This study argues that such strategic moves to form strategic alliances are associated with the desire of top managers to maintain or improve the performance of their firms. Thus, the study proposed that:

H_1: For SMEs adopting alliances as a strategic option to enhance their regulatory compliance, there will be a significant effect on the regulatory compliance strategy and the corresponding firm performance.

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Market Share Growth Motives and Firm Performance

Empirical studies have also shown that market share motives push manufacturing firms to form a strategic alliance. A study by Jin, Zedtwitz, and Chong (2015) investigated strategic alliance formation motives among Chinese firms and established that firms are motivated to ally by industry factors of market share. The study determined that strategic alliances are a common strategy among firms that desire to expand their market shares. Ghauri, Lutz, and Tesfom (2003) demonstrated that SMEs are motivated to form strategic alliances to benefit from knowledge sharing, technology sharing, and training which enables them to overcome challenges in entering export markets for their manufactured products. Another study by Zikri (2020) investigating Malaysian banks established that the need to grow market share leads to strategic alliances aimed at accessing markets, gaining new capabilities, and knowledge sharing.

Likewise, Oehme and Bort (2015) supported the argument of knowledge sharing among partners in an alliance configuration by demonstrating that firms in the same industry mimic the market entry strategies of their strategic alliance partners to overcome environmental challenges that limit internationalization. Khattab (2012) established that firms in the hotel sector in Jordan are motivated to form marketing alliances to gain access to knowledge resources and the need to improve their performance. The author observes that such motives contribute to gaining access to new technology, cost-sharing, pooling resources, and developing new products. Zhang and Yin (2012) established that firms are motivated to create strategic alliances, specifically research and development alliances, to facilitate entry into new foreign markets and overcome market barriers.

Strategic alliance literature indicates that the creation of marketing alliances can also offer growth capabilities to firms due to access to new markets and the acquisition of resources to improve product offerings. Such alliances create value by increasing customer numbers, satisfaction, and retention (Moorman, 2009). Thus, the study proposed that:

H_2: For SMEs adopting alliances as a strategic option to enhance their market growth, there will be a significant effect on the market growth strategy and the corresponding firm performance.

Business Growth Motives and Firm Performance

The literature on manufacturing SMEs in Kenya reveals that the diversification of products among manufacturing SMEs inhibits their efforts to compete against imports into the local market (UNIDO, 2011). This study observed that manufacturing SMEs would be motivated to form strategic alliances to grow their business. A study by Franco and Pereira (2013) reported that process factors that include acquisition of innovation and technology

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contribute to differentiation and provision of new services, and this motivates hospitality firms to form strategic alliances. Relatedly, a study by Klijn, Reuer, Buckley, and Glaister (2010) looked at international joint ventures and established that product diversification, developing new technologies and knowledge, and sharing investment costs motivated firms to engage in international joint ventures. Maqsoom, Charoenngam, Masood, and Awais (2013) reported that Pakistan Contractors are motivated by business growth factors of expanding the firm's business, optimizing the use of firm resources, and enhancing the firm’s international experience. These motives were categorized as internal to the firm. Fasanya, Ingham, and Read (2022) reported that business growth motives among sub-Saharan firms include the desire for internationalization through creating network linkages with local firms, government departments, and distributors.

A study by Olsen, Harmsen, and Friis (2008), targeting firms in the food industry in the Netherlands, established that firms joined strategic alliances based on their motivation to share knowledge and complement already owned resources. The study also established that external factors do not motivate alliance building. Jeje (2014) also reported that medium-sized firms in Tanzania are not motivated by the motives to grow businesses through future business acquired through the formation of strategic alliances.

Strategic alliance literature indicates that the creation of business growth alliances can also offer growth resources and capabilities to resource-restricted firms like SMEs, thus enabling them to increase production efficiency, improve product diversification, and share investment costs with partners. This study argues that business growth alliances will improve the performance of manufacturing SMEs by the identification of new opportunities through knowledge acquisition (Talebi, Farsi & Mirisi, 2017), improve product diversification (Klijn, Reuer, Buckley & Glaister, 2010), and optimize resource utilization through increased efficiency (Maqsoom, Charoenngam, Masood & Awais, 2013). Thus, the study proposed that:

H_3: For SMEs adopting alliances as a strategic option to enhance their business growth, there will be a significant effect on the business growth strategy and the corresponding firm performance.

Research Methodology

Target Population and Data

The selection of the sample population proceeded as follows. Firstly, a complete list of all the manufacturing firms was done using the Kenya Association of Manufacturer directory for the year 2017/2018. Secondly, the listed firms were stratified based on size, geographical location, and sub-sector. The survey defined manufacturing firms as those involved in value addition activities and as such, the service firms were excluded from selection.

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In line with the Kenyan government's definition of Small and Medium Enterprises, the firm was categorized as small (10-50 employees) and medium (50-100 employees). This categorization yielded manufacturing SMEs operating in Nairobi County which was distributed among 13 sub-sectors. Thirdly, SMEs with active strategic alliances were selected through telephone interviews. In the end, 74 SMEs were selected based on the above classification.

The primary data was collected using structured questionnaires which had two sections. Section one included information on firm and respondent characteristics, forms of strategic alliances formed, and classification of the strategic alliance in terms of geographical region. Section two comprised of questions on strategic alliance formation motives. The data collection process included attaining the appropriate research permit from government Commission. The research questionnaires were administered to the SME CEO or a senior manager who works closely with the CEO. The study used the drop and pick approach because this gives the respondents the convenience of filling the questionnaire at their own time. In addition, it increases the response rate and it also presents the researcher with the opportunity to make personal contact with the respondents where clarifications can be offered to the respondent if needed (Trochim, Donnelly & Arora, 2015). Bi-weekly follow-ups were carried out to remind some respondents to fill the questionnaire as agreed. The data collection process was carried out between October 2020 and February 2021.

The study achieved an overall response rate of 100%, which was deemed necessary based on the size of the study target population. The data collection tool was subjected to a reliability test using Cronbach's alpha and all 4 measurement items used for this study showed acceptable levels of reliability with firm performance having a score of (α= 0.833), regulatory compliance motives (α=0,751), market share growth motives (α=0.708), and business growth motives (α=0.754). The overall score for all items was recorded as (α=0.887).

1. Measurements

***Environmental-Based Motives*:** The variable environmental-based motive was operationalized using environmental factors of regulation and industry competition as validated by Gils and Zwart (2009). The study respondents were requested to report on a 5-point Likert scale the likelihood of forming a strategic alliance (1) to comply with the existing government regulation and policies, (2) to increase their market growth, (3) to increase their business growth.

***Firm Performance*:** The concept of performance has been measured using various indicators in prior empirical studies. Extant empirical studies focusing

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mainly on SMEs in the manufacturing sector have indicated that financial measures of firm performance are suitable. This study used the measures of company sales and net profit as used in an emerging economy context by Maduekwe and Kamala (2016). In measuring organization performance, a comparison was done looking at performance before and after the SMEs formed the strategic alliance. Using a 5-point Likert scale, the respondents were requested to report the relative change in company net profit and overall sales growth.

Control Variables**:** The study controlled for firm age which was based on years of existence of the SMEs. The firm size was also controlled by using the number of employees in the firm which is the adopted definition of SMEs.

Data Analysis

The survey data was analyzed using descriptive statistics where the mean and standard deviation were used to present the variable characteristics, while inferential statistics were used to indicate correlations and to determine the nature and magnitude of the variable's relationship. The data analysis was carried out using SPSS version 23. The data analysis was performed using a 95 percent confidence level, while Pearson's product moment correlation (r) was used to demonstrate the nature and magnitude of the variable relationship. The amount of variation between the dependent and independent variables was measured using the coefficient of determination (R^2).

Findings

Table 1 outlines the attributes of the manufacturing SMEs that participated in this study and the data collected includes the company size, age, main collaborators, purpose of collaboration, and classification of the collaborators based on geographical location.

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Table 1. Profile of the Firms

	Description	Frequency	%
	Company Size		
1.	10-50 employees	54	73.0
2.	50-100 employees	20	27.0
3.	More than 100 employees	0	0
	Total	74	100.0
	Years of existence (company)		
1.	1-3 years	10	13.5
2.	4-5 years	19	25.7
3.	More than 5 years	45	60.8
	Total	74	100.0
	Main collaborators with the company		
1.	Distributors of goods	68	91.9
2.	Government Departments	13	17.6
3.	Consultancy firms	2	2.7
4.	Universities/Collages	1	1.4
5.	Media Companies	6	8.2
	Purposes of the existing strategic alliance in the company		
1.	Distribution of finished products to the market	64	86.5
2.	Provision of research and information	7	9.5
3.	Provision of marketing services	8	10.8
4.	Observation of government policies and regulation	27	36.5
5.	Gaining access to new market	6	8.1
6.	Improving the company status in the industry	29	39.2
	Classification of collaborators based on geographical location		
1.	Local companies	74	100.0
2.	Regional companies	49	66.2
3.	International companies	33	44.6

The survey analysis shows that most of the targeted firms had 10-50 employees and therefore categorized as small. In terms of firm age, most of the firms had operated for more than four years which indicates mastery of industry trends. The analysis also shows that SMEs had formed strategic alliances with local, regional, and international companies. This distribution indicates the diversity of strategic alliance partners among the SMEs in the manufacturing sector.

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Descriptive and Correlation Results

Table 2 shows the Pearson correlation results for the independent and dependent variables. The test results indicate that regulatory compliance motives was positively and significant correlated to firm performance (*r*= 0.651, *p*<.001). The market share growth motives was also positively and significantly correlated to firm performance (*r*= 0.550, *p*<.001). The business growth motives was positive and significantly correlated to firm performance (*r*= 0.472, *p*<.001).

Table 2. Descriptive and Correlation Results for Firm Performance and Environmental-Based Motives

	Mean	**SD**	**Firm Performance**	**Regulatory Compliance Motives**	**Market Share Growth Motives**	**Business Growth Motives**
Firm Performance	3.68	0.77	1			
Regulatory Compliance Motives	4.00	1.01	.651**	1		
Market Share Growth Motives	4.15	0.89	.550**	.706**	1	
Business Growth Motives	4.35	0.69	.472**	.453**	.540**	1

Despite the outcome of the correlation test, further tested were undertaken to establish causality as recommended by Yount (2000) and Wooldridge (2000) since correlations do not equate to a causal relationship between variables.

The descriptive statistics in Table 2 show that manufacturing SMEs are motivated to a great extent by the motives to improve regulatory compliance (M=4.00), grow their market share (M=4.15), and grow their business (M=4.35). The survey analysis indicates that environmental-based motives contribute to a great extent to the firm performance (M=3.68).

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Table 3. Diagnostic Tests for Regression Analysis

	Regulatory compliance motives	**Market share growth motives**	**Business growth motives**	**Company Net profit**	**Company Overall Sales**
Skewness	-0.577	-0.667	0.350	-0.180	0.258
Kurtosis	-0.112	-0.356	-0.701	-0.732	0.126
VIF	2.566	2.005	2.046	1.475	1.137
Tolerance	0.390	0.499	0.489	0.678	0.880

Before testing the study hypotheses, several diagnostic tests were conducted to ensure that the data met regression analysis assumptions as presented in Table 3. The normality test was carried out using skewness and kurtosis, and the study adopted Meyers, Gamst, and Guarino (2013) recommendation of using values of close to zero or less than ±1.00 to decide whether the study data was normally distributed. The study variables had values that ranged from -1.0 and +1.0, indicating normal distribution. As recommended by Walker and Maddan (2013), this study used Variance Inflation Factor (VIF) and Tolerance to check for collinearity. The VIF for all the variables was below 10, and the tolerance was above 0.1. Consequently, Multicollinearity was ruled out among the study variables (Field, 2009).

Hypotheses Testing

The study also adopted regression analysis to determine the true association among the study Variables (Li, de Zubielqui & O'Connor, 2015).

Table 4. Regression Analysis of Environmental-Based Motives on Firm Performance

Goodness of fit	**Test Statistics**		**P-value**
Adjusted R^2	0.484		
R^2	0.505		
F-Statistic (3,70)	20.157		0.000**
Dependent Variable= Firm Performance	**Linear Regression Results**		
	Coefficients	**t-statistic**	**P-value**
Constant	0.883	0.881	0.318
Regulatory compliance motives (RCM)	0.664	4.075	0.000**
Market share growth motives (MSGM)	0.475	3.010	0.004**
Business growth motives (BGM)	0.459	2.110	0.038**

a. Dependent Variable: Firm Performance (FP)
**Significant at 5 percent

Table 4 show that RCM has a positive and significant effect on FP ($\beta = 0.664$, $p<.05$), indicating support for H_1. MSGM also shows a positive and significant effect on FP ($\beta = 0.475$, $p<.05$), thus supporting H_2. BGM has a positive and significant effect on FP ($\beta = 0.459$, $p<.05$), thus supporting H_3.

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The adjusted R^2 value is 0.484, meaning that the variables of regulatory compliance, market share growth, and business growth explain 48.4 percent variation in the firm performance. Consequently, it can be inferred that environmental-based motives affect manufacturing SMEs in achieving the strategic objective of increasing sales and their net profit. The F-statistic shows a value of 23.805, which was significant at 0.000 ($p<.05$), demonstrating that the predicted linear regression model was a good fit for the survey data. This proved that the explanatory power of environmental-based motives on the performance of manufacturing SMEs could be associated with the independent variables adopted. Therefore, the study concluded that environmental-based motives motivate manufacturing SMEs to form strategic alliances, and that such motives are an essential contributor to SME's performance.

The survey findings on the control variables indicate that age was significantly associated with environmental-based motives and firm performance, while the firm size was also significantly related to environmental-based motives and firm performance.

Discussion

The study's overall objective was to establish the effect of environmental-based motives on the performance of SMEs in the manufacturing sector in Kenya. This perspective was embraced to enhance our understanding of the environmental factors of regulation and industry competition that pull and push manufacturing SMEs to form strategic alliances with other firms and establish the effect of such motives on firm performance. The study findings offer unique insights into the strategic alliance motives adopted by Kenyan manufacturing SMEs and how such motives contribute to their performance improvement. The selection of manufacturing SMEs was based on their contribution to economic development in Kenya. However, the respondents were chosen based on their role at the corporate level as well as their participation in decision-making regarding acquisition and allocation of organizational resources, identification, and involvement of stakeholders and formulation of strategies to mitigate environmental pressures.

The survey findings revealed that manufacturing SMEs in Kenya are motivated by diverse environmental-based motives to form strategic alliances. This finding is in line with empirical studies published elsewhere that firms are motivated by more than one motive when forming strategic alliances (Gils & Zwart, 2009). Table 1 indicates that manufacturing SMEs in Kenya have engaged in strategic alliances with government departments, consultancy firms, universities, colleges, and Media companies as well as suppliers of goods guided by their regulatory compliance motives, market share growth motives, and business growth motives. Likewise, the study findings show that

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these environmental-based motives contribute to forming strategic alliances with local, regional, and international firms. In addition, the findings indicate that the corresponding intentions of engaging in the strategic alliance include distribution of finished products to the market, access to research and information, access to marketing services, observation of government policies and regulations, access to the market, and improving the company status in the industry.

The study embraced three environmental-based motives: increased compliance with government regulation motives, growing market share motives, and increasing customer base motives. The study findings on hypothesis one indicated that SMEs adopted alliances as a strategic option to enhance their regulatory compliance, to a high extent, with a mean score of 4.00 on the measurement scale. The performance variation caused by the regulatory compliance motives was recorded at 66.4 percent, while the effect of the motives was established as significant. The authors observe that these findings indicate that top management teams in manufacturing SMEs accord high importance to acquiring compliance resources. Such practice motivates manufacturing SMEs to form strategic alliances with other firms in Kenya. The appropriateness of the theme of strategic alliance motives is supported by the drive of this survey to establish how the desire of top management to generate a sufficient pool of strategic resources would be a suitable basis for initiating environmental-based alliances. Moreover, the strategic choice to pursue a strategic partnership to accomplish strategic objectives confirms the perceived importance of organizational resources in achieving strategic goals among SMEs in Kenya.

This study's findings affirm previous empirical studies that have established that the desire to accumulate regulatory compliance resources motivates SMEs to form strategic alliances, and that such resources affect firm performance. For example, Skokic (2015) affirmed that high administrative barriers motivate alliance formation among small firms. Dickson and Weaver (2011) reported that the business environment influences alliance formation and that SMEs are motivated by existing environmental regulations and policies to form strategic alliances. Likewise, Lu and Steinhardt (2022) established that regulations and policies existing in a country push firms to form strategic alliances, especially when they lack resources.

The study findings on hypothesis two indicated that SMEs adopted alliances as a strategic option to enhance their market growth with a high mean score of 4.15 on the measurement scale. The performance variation caused by the market growth motives was recorded at 47.5 percent, while the effect of the market growth motives was established as significant. The study findings reveal a good understanding by top management in manufacturing SMEs of the opportunities and threats posed by the external business environment,

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which have been exploited and mitigated through strategic alliances with government departments, consultancy firms, universities, colleges, and Media companies. As such, the acquisition of tangible and intangible resources to match their environmental-based motives of increasing their market share is guaranteed due to the ties and dependencies created between the manufacturing SMEs and their strategic alliance partners (Pfeffer & Salancik, 1978). Table 1 shows that market growth motives contribute to forming strategic alliances with local, regional, and international firms. In addition, the findings indicate that the corresponding intentions of engaging in the market growth strategic alliance include distribution of finished products to the market, access to research and information, access to marketing services, access to the market, and improving the company status in the industry.

This study's findings uphold the findings of previous empirical studies that have established that the desire to amass market growth resources motivates SMEs to form strategic alliances, and that such resources affect firm performance. For instance, Jin, Zedtwitz, and Chong (2015) established that firms are motivated to ally by industry factors of market share. A study by Ghauri, Lutz, and Tesfom (2003) demonstrated that SMEs are motivated to form strategic alliances to overcome challenges in entering export markets for their manufactured products. Likewise, Oehme and Bort (2015) supported the argument that firms form strategic alliances to gain knowledge resources that support market entry strategies and enable them to overcome environmental challenges that limit internationalization.

The study findings on hypothesis three indicated that SMEs adopted alliances as a strategic option to enhance their business growth to a high extent, with a mean score of 4.35 on the measurement scale. The performance variation caused by the business growth motives was recorded at 45.6 percent, while the effect of the business growth motives was established as significant. These findings concur with previous empirical studies that have established that the desire to accumulate business growth resources motivates SMEs to form strategic alliances, and that such resources affect firm performance. For example, Franco and Pereira (2013) reported that process factors that include the acquisition of innovation and technology contribute to creating differentiation and provision of new services, motivate hospitality firms to form strategic alliances, while Klijn, Reuer, Buckley, and Glaister, (2010) established that product diversification, developing new technologies and knowledge, and sharing investment costs motivate firms to engage in international joint ventures. Similarly, Olsen, Harmsen, and Friis (2008) established that firms joined strategic alliances based on their motivation to share knowledge and complement already owned resources. However, the study findings contradict those of Jeje (2014) who revealed that medium sized firms are not motivated by business growth motives to form strategic alliances.

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The author measured business growth motives as acquisition of future business through the formation of strategic alliances.

The findings of this study can further be explained using the RBV perspective that postulates that an organization's specific bundle of resources can be a source of competencies and capabilities that bring about improved performance and competitive advantage. As such, the findings affirm that environmental-based motives, which this study conceptualizes as regulatory compliance motives, market growth motives, and business growth motives, define the resource requirements of manufacturing SMEs in Kenya and motivate these firms to form strategic alliances.

The performance improvement achieved by the manufacturing SMEs can be linked to the accumulation of regulatory resources, market growth resources, and business growth resources. The improvement in firm resources among manufacturing SMEs results in the creation of new capabilities that enhance the effectiveness and efficiency of performing routine activities (Kyengo, Muathe & Kinyua, 2019) and creates value by increasing customer numbers, satisfaction, and retention (Moorman, 2009), identifying new opportunities through knowledge acquisition (Talebi, Farsi & Mirisi, 2017), improving product diversification (Klijn, Reuer, Buckley & Glaister, (2010), and optimizing resource utilization through increased efficiency (Maqsoom, Charoenngam, Masood & Awais, 2013). The strategic benefits associated with environmental-based strategic alliances provide a pathway to access resources, leading to improved performance and competitive advantage (Panda, 2014; Gronum, Verreynne & Kastelle, 2012; Muange & Maru, 2015).

The resource dependency theory best explains the resource-sharing perspective which supports the argument that creating ties with other firms can guarantee the flow of critical resources that can contribute to performance improvement (Pfeffer & Salancik, 1978). However, manufacturing SMEs have been able to create beneficial ties with government departments, consultancy firms, universities, colleges, Media companies, and suppliers of goods, thus enabling them to access scarce resources. This study, therefore, argued that the effective and efficient exchange of resources among the strategic alliance partners would, to a greater extent, depend on the strategic alliance formation motives held by the partners (Remigijus & Giedrius, 2013).

The study findings support the propositions advanced by the dynamic capability theory in that the resources acquired by the manufacturing SMEs have been able to create new structures, systems, and processes to ensure compliance with regulation, market growth, and business growth. In advancing the dynamic capabilities theory, this study has demonstrated that performance improvement among manufacturing SMEs in Kenya is linked to the managerial capabilities exhibited by top managers (Teece, Pisano & Shuen, 1997). In addition, the top management's ability to make strategic

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decisions geared towards developing new products, services, and processes contribute to maintaining and improving competitive advantage (Stefanovic & Dukic, 2011).

Implications

Managerial Implications

Managers from manufacturing SMEs can use the findings of this study which are important while forming strategic alliances. Manufacturing SMEs in Kenya must recognize the role played by strategic alliance formation motives and attempt to emphasize these motives. Managers must define and identify environmental-based motives based on their analysis of the prevailing internal and external environment and align such motives with the firm's resource requirements. By identifying the environmental-based motives, the appropriate strategic alliance partners will be identified locally, regionally, and internationally to provide complementary resources that the manufacturing SMEs can utilize to improve their performance and competitive advantage.

The findings of this study point to the important role played by relationship building with strategic alliance partners to facilitate the process of resource access. The study has argued that environmental-based motives should guide the manufacturing SMEs in defining the dependencies to create with other firms. It is anticipated that such dependencies will build trust, commitment, and mutual support among the strategic alliance partners and open the pathway for manufacturing SMEs to access resources.

Theoretical Implications

The stream of research on strategic alliance motives has been of interest to scholars with studies focusing on strategic alliance motives from the perspective of developed economies (Dickson & Weaver, 2011; Mukherjee, Gaur, Guar & Schmid, 2013; Skokic, 2015). This study contributes to this stream of research and makes several theoretical contributions to the existing literature in strategic alliance research. Firstly, the study conceptualized and empirically tested the relationship between environmental-based motives (regulatory, market, and business growth motives) and firm performance. This study contributes by identifying strategic alliance motives from an emerging economy perspective which complements findings from developed economies. The study also expands the contextual scope of studies undertaken in Kenya on strategic alliances by focusing on the strategic alliance motives that contribute to alliance formation among manufacturing SMEs in Kenya. This study's findings also provide evidence on the effect of strategic alliance motives on firm performance, a research area that is scarcely investigated. To this end, the study established the link between

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environmental-based motives and firm performance in the context of manufacturing SMEs in Kenya. As such, the study findings bridge the gap in the literature on the effect of strategic alliance motives and firm performance (Gronum *et al*., 2012).

Secondly, the study findings align with existing literature and fit the categorization proposed by Gils and Zwart (2009). Even though the Gils and Zwart motives are generic, the motives are well suited for manufacturing SMEs as evidenced by this study. This study suggests that the applicability of the same motives is possible for future studies on strategic alliance formation in contexts similar to Kenya.

Conclusion

The study was undertaken to determine the effect of environmental-based motives on strategic alliance formation among manufacturing SMEs in Kenya and how such motives affect firm performance. This draws several conclusions based on the study findings and discussion presented in previous sections. The study findings on hypothesis one indicated that SMEs adopted alliances as a strategic option to enhance their regulatory compliance, grow their markets, and grow their business to a high extent. The authors observe that these findings indicate that top management teams in manufacturing SMEs accord high importance to the acquisition of compliance resources, market growth resources, and business growth resources. Moreover, such practice highly motivates manufacturing SMEs to form strategic alliances with other firms in Kenya. Acquiring tangible and intangible resources to match SMEs' environmental-based motives is guaranteed due to the ties and dependencies created between the manufacturing SMEs and their strategic alliance partners (Pfeffer & Salancik, 1978). The improvement in firm resources results in new capabilities that enhance the effectiveness and efficiency of performing routine activities, identification of new opportunities through knowledge acquisition, and product diversification, thus leading to enhanced performance and competitive advantage.

From a managerial perspective, SMEs must recognize the role played by strategic alliance formation motives and attempt to emphasize these motives by defining and identifying environmental-based motives based on an analysis of the prevailing internal and external environment and aligning such motives with the firm's resource requirements. Such a move will enable managers to identify and select the appropriate strategic alliance partner(s) to provide complementary resources that can improve performance.

Theoretically, the study findings align with existing literature and fit the categorization proposed by Gils and Zwart (2009). Even though the Gils and Zwart motives are generic, the motives are well suited for manufacturing SMEs as evidenced by this study. This study suggests that the applicability of

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the same motives is possible for future studies on strategic alliance formation in contexts similar to Kenya.

This study had several limitations that can be associated with the reported findings. One, the study adopted a cross-sectional design to test the hypotheses, which gathered information from top managers in manufacturing SMEs at a point in time. This limited the documentation of the effect of strategic alliance formation motives on firm performance over time. Based on the limitation, further research can complement the findings of this study by adopting a longitudinal research design to contribute toward establishing the relationship between environmental-based motives and strategic alliance formation and firm performance.

Two, the study focused only on environmental-based motives and how this contributes to alliance formation and affects firm performance. Future research can extend this study by focusing on other strategic alliance formation motives and how they affect strategic alliance formation among manufacturing SMEs in emerging economies. For instance, other studies can focus on partner related motives and firm-related motives and how they contribute to alliance formation. Further research can also focus on moderating and mediating variables in the relationship between strategic alliance motives and firm performance. For example, studies can focus on the effect of the institutional environment on the relationship between strategic alliance motives and firm performance.

Lastly, the study focused on manufacturing SMEs in Kenya whose contextual attributes are different from those in other emerging economies. This limits the generalization of the study findings to other manufacturing SMEs in emerging economies. Further research can be carried out targeting other emerging economies and different sectors like banking, insurance, and tourism to ascertain whether the same conclusions can be drawn.

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